

NORTHVIEW PUBLIC SCHOOLS
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2007

NORTHVIEW PUBLIC SCHOOLS
Table of Contents

For the year ended June 30, 2007

Financial Section

<i>Independent Auditor's Report</i>	<i>1</i>
<i>Management's Discussion and Analysis</i>	<i>3</i>
<i>Basic Financial Statements</i>	<i>11</i>
District-wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	18
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	19
Statement of Changes in Fiduciary Net Assets	20
Notes to Basic Financial Statements	21
<i>Supplemental Information</i>	
Combining and Individual Fund Statements and Schedules:	
General Fund	39
Comparative Balance Sheet	40
Comparative Schedule of Revenues	41
Comparative Schedule of Expenditures	43

NORTHVIEW PUBLIC SCHOOLS
Table of Contents (Continued)

For the year ended June 30, 2007

Nonmajor Governmental Funds	49
Combining Balance Sheet.....	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	52
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	54
Athletics Special Revenue Fund.....	55
Special Revenue Funds.....	56
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	57
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	58
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	59
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	60
Debt Service Funds.....	61
Combining Balance Sheet.....	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	63
Capital Projects Fund.....	64
Building and Site Capital Projects Fund:	
Comparative Balance Sheet.....	65
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	66
Agency Fund.....	67
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	68
Other Information:	
Summary of 2006 Taxes Levied and Collected.....	70

Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

November 5, 2007

The Board of Education
Northview Public Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Northview Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Northview Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2007 on our consideration of Northview Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Northview Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

As management of the Northview Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 14,364,134	\$ 14,747,708
Capital assets, net book value	<u>25,314,720</u>	<u>26,157,060</u>
Total Assets	<u>39,678,854</u>	<u>40,904,768</u>
Liabilities		
Current liabilities	7,351,589	8,607,653
Long-term liabilities	<u>20,391,280</u>	<u>21,699,560</u>
Total Liabilities	<u>27,742,869</u>	<u>30,307,213</u>
Net Assets		
Invested in capital assets, net of related debt	4,197,710	3,665,049
Restricted	3,211,748	2,842,698
Unrestricted	<u>4,526,527</u>	<u>4,089,808</u>
Total Net Assets	<u>\$ 11,935,985</u>	<u>\$ 10,597,555</u>

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 1,028,406	\$ 1,078,632
Operating grants	5,119,843	4,899,096
General Revenues		
Property taxes	6,753,118	7,833,538
State school aid, unrestricted	21,228,838	20,177,351
Interest earnings	504,391	390,185
Other	<u>308,910</u>	<u>351,454</u>
Total Revenues	<u>34,943,506</u>	<u>34,730,256</u>
Expenses		
Instruction	19,814,385	18,588,193
Supporting services	10,557,579	9,927,782
Community services	378,935	346,471
Food service	962,113	901,658
Athletics	817,693	738,908
Other	4,893	67,068
Interest on long-term debt	<u>1,069,478</u>	<u>1,146,797</u>
Total Expenses	<u>33,605,076</u>	<u>31,716,877</u>
Increase in net assets	1,338,430	3,013,379
Net Assets - Beginning of Year	<u>10,597,555</u>	<u>7,584,176</u>
Net Assets - End of Year	<u><u>\$ 11,935,985</u></u>	<u><u>\$ 10,597,555</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. As it became apparent over the past year that the State could not commit to a solid funding level, the District as a whole took on the task of conserving and saving any resources available to carry the District through the year, as well as to build up a little more fund balance in order to deal with the demands of the upcoming year.

The District's total revenues increased \$213,250, or .61 percent, in the fiscal year, and exceeded expenses by \$1,338,430 on the Statement of Activities. Property taxes and unrestricted state aid accounted for 80% of the District's revenue. An increase of \$210 in the State's per-pupil foundation allowance to \$7,085 and an increase in the blended student count generated an increase of \$1,051,487 in unrestricted state aid revenue. Federal and state grants for specific programs accounted for 14.7% of total District revenues, increasing \$220,747 over the previous fiscal year. The balance of revenues came from charges for services (pre-school, child care, driver education, leisure-time), donations, interest earnings and other local sources.

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Total cost of all programs and services increased by 6%, to \$33.6 million in 2006-07. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (69 percent). Administrative and business activities accounted for 9 percent, operation and maintenance accounted for 7 percent and central and community services 3 percent. The District's expenses are dominated by staff salaries and benefits, which amount to approximately 75% of total expenses.

The recent good health of the District's finances can be credited to both conservative budgeting and to all staff who are informed and making an effort to help control and maintain costs.

The District has also worked to reduce costs in many areas through collaboration with other districts. The administration will push to increase these and other cost saving programs for the next fiscal year. As State revenues increase slightly this upcoming year, it will still be essential for the District to continue to try to reduce expenditures and maximize revenues.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Northview Public School's funds are described as follows:

Major Fund

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$30,596,126, total expenditures of \$29,470,095 and other financing uses of \$585,893. It ended the fiscal year with a fund balance of \$4,874,379, up from \$4,334,241 at June 30, 2006.

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs. Total revenues were \$1,076,671 and other financing sources were \$581,000. Total expenditures were \$1,692,924. The ending fund balances were \$216,726 for the Food Service Fund and \$62,282 for the Athletics Fund.

Debt Service Funds

The District operates three Debt Service funds. Total revenues were \$2,606,303 and total expenditures were \$2,455,750. The ending fund balances in the Debt Service Funds were \$3,272,533, up from \$3,121,980 at June 30, 2006.

Capital Projects Fund

The District operates one Capital Projects Fund, the Building and Site (Sinking) Fund. Total revenues were \$693,206 and total expenditures were \$475,718. Ending fund balances increased by \$217,488 to a balance of \$79,972 at June 30, 2007.

Fiduciary Funds

The Student Activity Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. The balance on hand at June 30, 2007 totaled \$260,185. The Scholarship Fund is held as a Private Purpose Trust Fund for the benefit of District students. The balance on hand at June 30, 2007 totaled \$55,510.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget twice to comply with Michigan Department of Education guidelines. During the school year a monthly update is provided for information at the Board of Education meetings. The final budget amendment occurred in June, which was a summary of all the monthly information updates. Original revenue and expense budgets were developed in a very conservative manner. As the State funding and student population became clearer, appropriate increases were made to revenues and expenses in order to keep the Board of Education and the community aware of the financial status of the district.

Variances in actual to budget are detailed as follows:

- Revenues – actual revenues were \$59,431 more than expected.
- Expenditures – actual expenditures were \$41,484 less than budgeted.
- The actual excess of revenues and other financing sources over expenditures and other financing uses for the fiscal year was \$540,138 as compared to the final budgeted excess of revenues of \$431,938.

State of Michigan, Unrestricted Aid

The State of Michigan School Aid, unrestricted, is determined by the following three variables:

1. State of Michigan State Aid Act per student "Foundation Allowance"
2. Student Enrollment – Blended at 75% of the current year fall count and 25% of the prior year winter count
3. The District's non-homestead levy on non-residential properties

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Per Student Foundation Allowance – Annually, the State sets the per student foundation allowance. The District's foundation allowance for 2006-07 was \$7,085 per student.

Student Enrollment – The District's student enrollment for the fall count of 2006-07 was 3,410. The past three years the District's enrollments have been stable. We do allow non-resident students to attend using the Kent Intermediate School's of Choice plan and Section 6 applications as the vehicle for entry.

Non-homestead Levy – The district levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. The non-homestead property valuation was \$180,312,749. Total taxable value of all properties was \$566,832,440.

Capital Asset and Debt Administration

Capital Assets

At the end of 2006-07, the District had a \$48,012,235 investment in a broad range of capital assets including land, school buildings, athletic facilities, administrative offices, transportation and other vehicles, and furniture and equipment. This represents an increase of \$599,428 over the previous year.

At June 30, 2007, the District's net investment in capital assets (after accumulated depreciation) was \$25,314,720, at decrease of \$842,340 from the previous year. Depreciation expense charged to District expenses was \$1,488,661 for the fiscal year. Net capital assets of the District at June 30, 2007 are detailed as follows:

Land	\$ 115,296
Construction in progress	172,800
Buildings and additions	24,321,891
Furniture and equipment	149,921
Vehicles	<u>554,812</u>
Net Capital Assets	<u><u>\$ 25,314,720</u></u>

Long-Term Debt

At year-end, the District had \$21,826,280 in general obligation bonds and other long-term debt outstanding – a net decrease of \$1,325,372 from the previous year.

- The District continued to pay down its debt, retiring \$1,375,000 of outstanding bonds of the 1996 and 1998 Debt Service Funds.

The District's other obligations include severance pay and accumulated vacation pay and sick leave. There is more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

NORTHVIEW PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Our elected officials and administration considered many factors when setting the School District's 2007-08 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by "blending" 25% of the February 2007 count with 75% of the September 2007 count. Approximately 66% of total General Fund revenues is from the foundation allowance and 19% is from the collection of non-homestead property taxes. Under State law, the District cannot levy additional property tax revenues for general operations. As a result, District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data, we anticipate that the fall student count will be on target with the projections which show a stable if not increasing enrollment for the 2007-08 school year.
- The State has increased the per pupil foundation grant \$71 (to \$7,156) which is dependent on State revenue from sales tax. The district will also receive a \$48 per pupil equity payment. Revenue will increase by a projected \$311,340 as a result of the two per pupil increases. These increases are not guaranteed and are subject to reduction at any time by the State.
- The District was able to slow the growth of health insurance costs for teachers by agreeing to an alternate plan for non-union employees. Insurance costs increased for teachers and are projected to increase 12-15% annually in the future. All other staff members continue to be part of a self-funded health insurance pool which continues to be less expensive plan compared to employees not in this pool. Although the District is still concerned with the required contributions to the employee retirement system, costs are projected to be reduced by 1.02% on all salaries for the 2007-08 school year.
- A new master teacher contract was approved in May of 2007. It called for a two and one half (2 ½) percent increase of the teachers' base salary for 2007-08 and a two and one half (2 ½) percent increase to the base salary in 2008-09. Year three of the contract will involve negotiations related to salary.
- Due to the stagnant economy in the State of Michigan, the 2007-08 fiscal year budget was developed using a conservative approach. Additional staff and additional hours were approved in order to meet the needs of an ever increasing diverse population. Expenditures will be watched closely in the 2007-08 fiscal year due to anticipated expenditures exceeding revenues by \$943,649.
- Changes in administrative personnel will also result in additional expenditures for the 2007-08 and 2008-09 school years. Included within those costs will be expenses related to a national superintendent search and the retirement/ separation payout for outgoing administrators.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Northview Public Schools, 4365 Hunsberger NE, Grand Rapids, MI 49525. Contact by phone at (616) 363-6861. Contact by e-mail at cmccarthy@nvps.net.

BASIC FINANCIAL STATEMENTS

NORTHVIEW PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 1,446
Cash equivalents, deposits and investments (Note B)	9,425,868
Receivables:	
Taxes (Note C)	113,973
Accounts	64,683
Due from other governmental units (Note C)	4,047,408
Inventory (Note A)	162,657
Prepaid expenses	548,099
Total Current Assets	<u>14,364,134</u>
Noncurrent Assets	
Capital assets (Note E)	48,012,235
Less accumulated depreciation	<u>(22,697,515)</u>
Total Noncurrent Assets	<u>25,314,720</u>
Total Assets	<u>39,678,854</u>
Liabilities	
Current Liabilities	
Accounts payable	195,176
State aid anticipation loan payable (Note F)	3,000,000
Due to other governmental units	1,043,474
Payroll withholdings payable	9,667
Accrued interest payable	267,597
Salaries payable	1,400,675
Current portion of long term obligations	1,435,000
Total Current Liabilities	<u>7,351,589</u>
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	20,685,000
Durant non-plaintiff bonds payable	432,010
Severance pay	221,484
Accumulated vacation/sick leave	487,786
Current portion of long term obligations	<u>(1,435,000)</u>
Total Noncurrent Liabilities	<u>20,391,280</u>
Total Liabilities	<u>27,742,869</u>
Net Assets	
Invested in capital assets, net of related debt	4,197,710
Restricted for:	
Debt service	3,126,771
Capital projects	84,977
Unrestricted	4,526,527
Total Net Assets	<u><u>\$ 11,935,985</u></u>

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 19,814,385	\$ 55,945	\$ 4,418,663	\$(15,339,777)
Supporting services	10,557,579	2,732	325,735	(10,229,112)
Community services	378,935	285,367	-	(93,568)
Food service	962,113	563,381	375,445	(23,287)
Athletics	817,693	120,981	-	(696,712)
Other	4,893	-	-	(4,893)
Interest on long-term debt	1,069,478	-	-	(1,069,478)
Total Governmental Activities	\$ 33,605,076	\$ 1,028,406	\$ 5,119,843	(27,456,827)
General Revenues				
Taxes:				
Property taxes, levied for general operations				3,655,031
Property taxes, levied for debt service				2,413,011
Property taxes, levied for capital projects				685,076
State school aid, unrestricted				21,228,838
Interest and investment earnings				504,391
Other				308,910
Total General Revenues				28,795,257
Change in Net Assets				1,338,430
Net Assets - Beginning of Year				10,597,555
Net Assets - End of Year				\$ 11,935,985

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 1,039	\$ 407	\$ 1,446
Cash equivalents, deposits and investments (Note B)	5,878,884	3,546,984	9,425,868
Taxes receivable (Note C)	82,410	31,563	113,973
Due from other funds (Note D)	127,896	267,171	395,067
Due from other governmental units (Note C)	4,040,123	7,285	4,047,408
Inventory (Note A)	155,953	6,704	162,657
Prepaid expenditures	548,099	-	548,099
Total Assets	<u><u>\$ 10,834,404</u></u>	<u><u>\$ 3,860,114</u></u>	<u><u>\$ 14,694,518</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 3,494	\$ 95,680	\$ 99,174
State aid anticipation loan payable (Note F)	3,000,000	-	3,000,000
Due to other funds (Note D)	338,840	87,546	426,386
Due to other governmental units	1,040,929	2,545	1,043,474
Payroll withholdings payable	9,667	-	9,667
Accrued interest payable	95,277	-	95,277
Salaries payable	1,389,408	11,267	1,400,675
Deferred revenue	82,410	31,563	113,973
Total Liabilities	<u><u>5,960,025</u></u>	<u><u>228,601</u></u>	<u><u>6,188,626</u></u>
Fund Balances			
Reserved for:			
Debt service	-	3,272,533	3,272,533
Capital outlay	-	79,972	79,972
Unreserved:			
Undesignated, reported in:			
General fund	4,874,379	-	4,874,379
Special revenue funds	-	279,008	279,008
Total Fund Balances	<u><u>4,874,379</u></u>	<u><u>3,631,513</u></u>	<u><u>8,505,892</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 10,834,404</u></u>	<u><u>\$ 3,860,114</u></u>	<u><u>\$ 14,694,518</u></u>

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances		\$ 8,505,892
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$48,012,235 and accumulated depreciation is \$22,697,515.		
		25,314,720
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(20,685,000)	
Durant non-plaintiff bonds	(432,010)	
Severance pay	(221,484)	
Accumulated vacation/sick leave	<u>(487,786)</u>	(21,826,280)
Accrued interest is not included as a liability in governmental funds.		(172,320)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>113,973</u>
Total net assets - governmental activities		<u><u>\$ 11,935,985</u></u>

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Nonmajor	Total
Revenues			
Local sources	\$ 4,622,890	\$ 4,000,735	\$ 8,623,625
State sources	21,715,308	36,038	21,751,346
Federal sources	1,055,598	339,407	1,395,005
Interdistrict sources	3,202,330	-	3,202,330
Total Revenues	<u>30,596,126</u>	<u>4,376,180</u>	<u>34,972,306</u>
Expenditures			
Current:			
Instruction	18,490,047	-	18,490,047
Supporting services	10,569,234	1,086	10,570,320
Community services	364,308	-	364,308
Food service	-	936,511	936,511
Athletics	-	756,413	756,413
Capital outlay	-	474,632	474,632
Debt service:			
Principal repayment	-	1,375,000	1,375,000
Interest and fiscal charges	-	1,080,750	1,080,750
Interdistrict	46,506	-	46,506
Total Expenditures	<u>29,470,095</u>	<u>4,624,392</u>	<u>34,094,487</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,126,031</u>	<u>(248,212)</u>	<u>877,819</u>
Other Financing Sources (Uses)			
Transfers in	-	581,000	581,000
Transfers out	(581,000)	-	(581,000)
Other	(4,893)	-	(4,893)
Total Other Financing Sources (Uses)	<u>(585,893)</u>	<u>581,000</u>	<u>(4,893)</u>
Net Change in Fund Balances	540,138	332,788	872,926
Fund Balances, Beginning of Year	<u>4,334,241</u>	<u>3,298,725</u>	<u>7,632,966</u>
Fund Balances, End of Year	<u><u>\$ 4,874,379</u></u>	<u><u>\$ 3,631,513</u></u>	<u><u>\$ 8,505,892</u></u>

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$872,926

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 646,321	
Depreciation expense	<u>(1,488,661)</u>	(842,340)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (28,800)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 1,375,000

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 11,272

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$180,893) exceeded the amounts used/paid (\$131,265). (49,628)

Total change in net assets - governmental activities \$ 1,338,430

NORTHVIEW PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 4,442,016	\$ 4,875,392	\$ 4,622,890	\$ (252,502)
State sources	18,773,370	19,955,269	21,715,308	1,760,039
Federal sources	2,550,517	2,772,557	1,055,598	(1,716,959)
Interdistrict sources	2,620,584	2,933,477	3,202,330	268,853
Total Revenues	28,386,487	30,536,695	30,596,126	59,431
Expenditures				
Current:				
Instruction:				
Basic programs	13,437,128	14,068,049	14,025,924	42,125
Added needs	3,744,517	4,502,178	4,420,732	81,446
Adult education	42,086	43,391	43,391	-
Supporting services:				
Pupil services	1,253,450	1,826,047	1,877,423	(51,376)
Instructional staff services	709,048	825,903	821,073	4,830
General administrative services	491,675	500,796	498,744	2,052
School administrative services	1,517,575	1,529,468	1,529,797	(329)
Business services	1,144,308	1,127,269	1,123,711	3,558
Operation and maintenance services	2,771,652	2,606,567	2,632,493	(25,926)
Pupil transportation services	761,373	1,369,954	1,392,530	(22,576)
Central services	632,510	696,115	693,463	2,652
Community services	349,678	369,337	364,308	5,029
Interdistrict	1,606,349	46,505	46,506	(1)
Total Expenditures	28,461,349	29,511,579	29,470,095	41,484
Excess (Deficiency) Of Revenues Over Expenditures	(74,862)	1,025,116	1,126,031	100,915
Other Financing Sources (Uses)				
Transfers out	(580,000)	(580,000)	(581,000)	(1,000)
Other	-	(13,178)	(4,893)	8,285
Total Other Financing Sources (Uses)	(580,000)	(593,178)	(585,893)	7,285
Net Change in Fund Balances	(654,862)	431,938	540,138	108,200
Fund Balances, July 1	4,334,241	4,334,241	4,334,241	-
Fund Balances, June 30	\$ 3,679,379	\$ 4,766,179	\$ 4,874,379	\$ 108,200

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 55,510	\$ 164,183
Due from other funds (Note D)	-	96,002
Total Assets	<u>\$ 55,510</u>	<u>\$ 260,185</u>
Liabilities		
Accounts payable	\$ -	\$ 574
Due to other funds (Note D)	-	64,683
Due to student groups	-	194,928
Total Liabilities	<u>-</u>	<u>\$ 260,185</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 55,510</u>	

See accompanying notes to basic financial statements.

NORTHVIEW PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Interest earned	\$ 15,014
Deductions	
Endowment activities:	
Scholarships	10,296
Change In Net Assets	4,718
Net Assets, Beginning of Year	50,792
Net Assets, End of Year	\$ 55,510

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Northview Public Schools was organized under the School Code of the State of Michigan, and services a population of approximately 3,410 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Northview Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with sinking fund millage. The District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Northview Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Northview Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and additions	30-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Severance Pay/Accumulated Vacation and Sick Leave

Severance pay and accumulated vacation/sick leave at June 30, 2007 have been computed and recorded in the basic financial statements of the District. Eligible District employees who retire are entitled to payments based on their age, years of service, compensation and unused vacation/sick days. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for severance pay and accumulated vacation/sick leave amounted to \$221,484 and \$487,786, respectively.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 9,425,868
Fiduciary Funds:	
Trust and Agency Funds	<u>219,693</u>
	<u>\$ 9,645,561</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Chase J.P. Morgan Bank, N.A.

Cash equivalents consist of bank public funds checking and savings accounts.

June 30, 2007 balances are detailed as follows:

Cash equivalents	<u>\$ 21,194</u>
------------------	------------------

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$21,194 and the bank balance was \$21,194. Of the bank balance, \$21,194 was covered by federal depository insurance.

Investments

As of June 30, 2007 the District had the following investments:

Investment Pool Accounts:	<u>Fair Value</u>
Michigan Liquid Asset Fund	<u>\$ 9,624,367</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the Michigan Liquid Asset Fund investment pool were unrated.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Concentration of Credit Risk

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Northview Public School District, and paid to the State of Michigan, totaled \$3,400,995.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September, 2006. The 2006-07 "Foundation Allowance" for Northview Public Schools was \$7,085 for 3,389 "Full Time Equivalent" students, generating \$21,668,280 in state aid payments to the District of which \$3,578,942 was paid to the District in July and August, 2007 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2007.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the Township of Ada and the Charter Townships of Grand Rapids and Plainfield. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Building & Site	Total
2006	\$ 17,216	\$ 3,901	\$ 1,107	\$ 22,224
2005	64,306	22,100	3,813	90,219
2004	888	557	85	1,530
	<u>\$ 82,410</u>	<u>\$ 26,558</u>	<u>\$ 5,005</u>	<u>\$ 113,973</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Northview Public Schools electors had previously (June 11, 1990) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2006.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The District levied a .75 recreation millage, 4.25 mills for debt service purposes and 1.2056 mills for building and site in 2006, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables for unreimbursed 2006-07 expenditures and property tax reallocations at June 30, 2007 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Food Service Fund	\$ 2,862	\$ 9,582
Athletics Fund	78,394	152,879
1996 Debt Service Fund	—	36,883
1998 Debt Service Fund	—	32,302
Building and Site Fund	—	16,964
Student Activities Fund	46,640	90,230
Total General Fund	127,896	338,840
Special Revenue Funds:		
Food Service Fund:		
General Fund	9,583	2,862
Athletics Fund	517	—
Student Activities Fund	11,772	—
Athletics Fund:		
General Fund	152,879	78,265
Food Service Fund	—	647
Student Activities Fund	6,271	5,772
Total Special Revenue Funds	181,022	87,546
Debt Service Funds:		
1996 Debt Service Fund:		
General Fund	36,883	—
1998 Debt Service Fund:		
General Fund	32,302	—
Total Debt Service Funds	69,185	—

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

	<u>Due From</u>	<u>Due To</u>
Capital Projects Funds:		
Building and Site Fund:		
General Fund	\$ 16,964	\$ —
Agency Fund:		
Student Activities Fund:		
General Fund	90,230	46,859
Food Service Fund	—	11,553
Athletics Fund	5,772	6,271
Total Agency Fund	<u>96,002</u>	<u>64,683</u>
Total All Funds	<u><u>\$ 491,069</u></u>	<u><u>\$ 491,069</u></u>

District accounting software provides that all checks be written through one fund (General Fund) with adjusting entries automatically made to other funds. This procedure generates multiple due to/from entries each month, which are reimbursed in the subsequent month.

Transfers between funds during the year ended June 30, 2007 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 581,000
Special Revenue Fund:		
Athletics Fund:		
General Fund	<u>581,000</u>	<u>—</u>
Total All Funds	<u><u>\$ 581,000</u></u>	<u><u>\$ 581,000</u></u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balances June 30, 2006	Additions	Deductions	Balances June 30, 2007
Capital assets not depreciated:				
Land	\$ 115,296	\$ —	\$ —	\$ 115,296
Construction in progress	562,600	172,800	562,600	172,800
Capital assets being depreciated:				
Buildings and additions	45,441,076	679,569	—	46,120,645
Furniture and equipment	194,049	36,786	—	230,817
Vehicles	1,099,786	319,784	46,893	1,372,677
	<u>47,412,807</u>	<u>\$1,208,921</u>	<u>\$ 609,493</u>	<u>48,012,235</u>
Totals at historical cost				
	<u>47,412,807</u>	<u>\$1,208,921</u>	<u>\$ 609,493</u>	<u>48,012,235</u>
Less accumulated depreciation for:				
Buildings and additions	\$ 20,431,748	\$1,367,006	\$ —	\$ 21,798,754
Furniture and equipment	66,257	14,639	—	80,896
Vehicles	757,742	107,016	46,893	817,865
	<u>21,255,747</u>	<u>\$1,488,661</u>	<u>\$ 46,893</u>	<u>22,697,515</u>
Total accumulated depreciation				
	<u>21,255,747</u>	<u>\$1,488,661</u>	<u>\$ 46,893</u>	<u>22,697,515</u>
Net Capital Assets	<u>\$ 26,157,060</u>			<u>\$ 25,314,720</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,257,801
Supporting services	131,308
Community services	12,878
Food service	25,394
Athletics	61,280
	<u>\$ 1,488,661</u>

Note F – Short-term Debt

On August 19, 2005, the District borrowed \$4,000,000 in anticipation of state aid at 2.92% which was repaid on August 18, 2006. On August 18, 2006, the District borrowed \$3,000,000 in anticipation of state aid (interest of 3.68%) due on August 20, 2007. Interest expense for the year was \$120,707.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	Bond Issues	Durant Non-plaintiff Bonds	Severance/ Vacation/ Sick Leave	Total
Amounts Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 3,272,533	\$ —	\$ —	\$ 3,272,533
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	—	432,010		432,010
General Fund	—	—	709,270	709,270
Debt Service Funds	17,412,467	—	—	17,412,467
Total Amounts Available And To Be Provided	\$20,685,000	\$ 432,010	\$ 709,270	\$21,826,280

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding June 30, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
May 1, 1996	\$ 1,730,000	\$ —	\$ 105,000	\$ 1,625,000
September 1, 1998	20,330,000	—	1,270,000	19,060,000
Durant non-plaintiff bonds:				
November 13, 1998	432,010	—	—	432,010
Severance pay	205,131	16,353	—	221,484
Accumulated vacation/sick leave	454,511	164,540	131,265	487,786
	\$ 23,151,652	\$ 180,893	\$ 1,506,265	\$ 21,826,280

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Long-term bonds, notes and capital leases outstanding at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$32,175M 1996 Building and Site:				
Annual maturities of \$105M to \$120M	May 1, 2027	5.35 - 5.80	\$ 1,625,000	\$ 105,000
\$21,530M 1998 Refunding:				
Annual maturities of \$1,290M to \$1,405M	May 1, 2013	4.30 - 5.00	19,060,000	1,290,000
Durant Non-plaintiff Bonds				
\$732M 1998 School Improvement:				
Annual maturities of \$40,719 to \$250,753	May 15, 2013	4.761353	432,010	—
			<u>\$ 21,117,010</u>	<u>\$1,395,000</u>

The annual requirements to pay principal and interest on long-term bonds, notes and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 1,395,000	\$ 1,009,930	\$ 2,404,930
2009	1,450,719	959,503	2,410,222
2010	1,705,753	980,153	2,685,906
2011	1,514,686	825,764	2,340,450
2012	1,526,812	754,806	2,281,618
2013	1,544,040	681,867	2,225,907
2014	1,510,000	606,680	2,116,680
2015	1,525,000	530,220	2,055,220
2016	1,520,000	453,010	1,973,010
2017	1,510,000	376,050	1,886,050
2018	1,495,000	299,590	1,794,590
2019	1,485,000	223,880	1,708,880
2020	1,475,000	148,670	1,623,670
2021	1,460,000	73,960	1,533,960
	<u>\$21,117,010</u>	<u>\$ 7,924,083</u>	<u>\$29,041,093</u>

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$16,854,008. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$2,943,328, \$2,643,868 and \$2,381,711, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

NORTHVIEW PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$101,192 in premiums to the Trust for the year ended June 30, 2007.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2007, there were no material pending claims against the District. The District paid \$141,172 in premiums to the Fund for the year ended June 30, 2007.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District maintains the Northview Public Schools Flexible Benefits Plan (the Plan). The Plan allows District employees to pay for certain medical expenses and dependent care expenses with before-tax income. In addition, depending on job classification, the Plan allows an employee the option of waiving health coverage and, instead, receiving additional compensation or other tax-free benefits. Also, if an employee is required to pay all or part of the cost of health coverage, the Plan allows the employee to pay this cost with before-tax income.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2007, as follows:

	Budget	Actual	Unfavorable Variance
Special Revenue Funds:			
Food Service Fund	\$ 909,820	\$ 936,511	\$ 26,691
Athletics Fund	748,803	756,413	7,610

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1,039	\$ 1,039
Cash equivalents, deposits and investments	5,878,884	6,548,530
Receivables:		
Taxes	82,410	100,948
Accounts	-	50,000
Due from other funds	127,896	49,098
Due from other governmental units	4,040,123	4,198,670
Inventory	155,953	112,863
Prepaid expenditures	548,099	20,060
Total Assets	<u><u>\$ 10,834,404</u></u>	<u><u>\$ 11,081,208</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,494	\$ 3,744
State aid anticipation loan payable	3,000,000	4,000,000
Due to other funds	338,840	101,940
Due to other governmental units	1,040,929	1,010,569
Payroll withholdings payable	9,667	19,264
Accrued interest payable	95,277	100,800
Salaries payable	1,389,408	1,409,702
Deferred revenue	82,410	100,948
Total Liabilities	<u>5,960,025</u>	<u>6,746,967</u>
Fund Balances		
Unreserved:		
Undesignated	<u>4,874,379</u>	<u>4,334,241</u>
Total Liabilities and Fund Balances	<u><u>\$ 10,834,404</u></u>	<u><u>\$ 11,081,208</u></u>

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	2007	2006
Local sources:		
Property taxes:		
Current property taxes	\$ 3,229,095	\$ 3,015,598
Recreation taxes	424,429	400,660
Industrial facilities taxes	440	431
Delinquent property taxes	3,782	60,170
Other property taxes	8,972	12,849
Interest on delinquent taxes	6,851	5,907
	<u>3,673,569</u>	<u>3,495,615</u>
Interest earnings:		
Interest on deposits and investments	296,367	226,735
Other local revenue:		
Summer school tuition	-	310
Driver education fees	33,420	40,648
Preschool/latchkey tuition	22,525	25,633
Childcare fees	239,496	236,257
Community school activities	28,542	39,375
Universal service credit	2,732	28,319
Telephone discount reimbursements	7,651	16,231
Beverage consortium commissions	73,321	92,158
Rental of school facilities	12,747	17,529
Donations	95,862	93,662
Sale of school property	10,856	6,589
Refunds of prior year expenditures	74,434	51,363
Senior citizen coordinator reimbursements	17,329	12,365
Miscellaneous	34,039	24,796
	<u>652,954</u>	<u>685,235</u>
Total local sources	4,622,890	4,407,585
State sources:		
State aid	21,632,241	20,518,422
FICA/Retirement reimbursement	64,727	64,727
Other	18,340	46,950
	<u>21,715,308</u>	<u>20,630,099</u>
Total state sources		
Federal sources:		
Title I	221,047	214,166
Title IIA	74,802	75,374
Title IID	2,256	3,995
Title V	682	1,352
I.D.E.A. program	734,411	690,339
Medicaid - school based	4,571	6,386
Drug free schools	6,829	7,688
Other grants	11,000	-
	<u>1,055,598</u>	<u>999,300</u>
Total federal sources		

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Interdistrict sources:		
Special education - county	\$ 2,278,237	\$ 2,095,653
Special education - tuition	425,660	401,865
Special education - itinerants	45,205	67,501
Special education - transportation	280,530	198,279
Durant settlement reimbursements	7,403	7,403
Prevocational coordinator reimbursement	24,980	-
Medicaid reimbursement	122,938	177,443
Performing arts reimbursement	-	33,840
Other	17,377	50,170
Total interdistrict sources	<u>3,202,330</u>	<u>3,032,154</u>
Total Revenues	<u><u>\$ 30,596,126</u></u>	<u><u>\$ 29,069,138</u></u>

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 2,719,850	\$ 2,712,350
Employee benefits	1,353,046	1,285,489
Purchased services	73,360	4,571
Supplies	86,215	110,244
Capital outlay	9,071	7,216
Miscellaneous	2,353	1,057
	<u>4,243,895</u>	<u>4,120,927</u>
Middle school:		
Salaries	2,740,691	2,646,244
Employee benefits	1,307,081	1,214,819
Purchased services	49,447	2,048
Supplies	101,992	83,425
Capital outlay	1,279	1,846
Miscellaneous	3,972	1,480
	<u>4,204,462</u>	<u>3,949,862</u>
High school:		
Salaries	3,548,447	3,424,465
Employee benefits	1,641,548	1,489,656
Purchased services	73,069	4,164
Supplies	167,882	109,628
Capital outlay	31,913	15,474
Miscellaneous	13,267	10,787
	<u>5,476,126</u>	<u>5,054,174</u>
Preschool:		
Salaries	43,315	41,886
Employee benefits	15,316	12,680
Purchased services	814	552
Supplies	4,165	3,800
Miscellaneous	1,030	137
	<u>64,640</u>	<u>59,055</u>
Summer school:		
Salaries	23,755	25,209
Employee benefits	5,823	5,810
Purchased services	3,375	3,525
Supplies	3,396	-
Miscellaneous	452	55
	<u>36,801</u>	<u>34,599</u>
Total basic programs	<u>14,025,924</u>	<u>13,218,617</u>
Added needs:		
Special education:		
Salaries	2,485,945	2,216,924
Employee benefits	1,095,103	937,716
Purchased services	57,248	37,925
Supplies	17,276	15,471

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Special education: (Continued)		
Capital outlay	\$ 401	\$ 50,891
Miscellaneous	6,717	1,470
Payments to other districts	283,691	-
	<u>3,946,381</u>	<u>3,260,397</u>
Compensatory education:		
Salaries	377,326	328,215
Employee benefits	95,727	80,887
Supplies	1,298	-
	<u>474,351</u>	<u>409,102</u>
Total added needs	4,420,732	3,669,499
Adult education:		
Secondary:		
Salaries	37,970	30,479
Employee benefits	5,421	6,852
Supplies	-	571
Total adult education	<u>43,391</u>	<u>37,902</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	414,194	382,514
Employee benefits	188,399	183,324
Purchased services	1,088	1,187
Supplies	5,179	1,820
Miscellaneous	50	-
	<u>608,910</u>	<u>568,845</u>
Physical therapist services:		
Salaries	-	349
Employee benefits	-	84
Purchased services	3,574	716
Supplies	803	1,544
Payments to other districts	90,613	-
	<u>94,990</u>	<u>2,693</u>
Psychological services:		
Salaries	-	3,091
Employee benefits	1,837	1,243
Purchased services	2,040	1,955
Supplies	2,334	1,995
Payments to other districts	200,158	-
	<u>206,369</u>	<u>8,284</u>
Speech pathology services:		
Salaries	20,619	23,232
Employee benefits	8,027	8,249
Purchased services	219	90
Supplies	4,939	2,641
Payments to other districts	415,331	-
	<u>449,135</u>	<u>34,212</u>

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Social worker services:		
Salaries	\$ 351	\$ 3,437
Employee benefits	436	1,484
Purchased services	121	298
Supplies	1,752	1,868
Payments to other districts	412,998	-
	<u>415,658</u>	<u>7,087</u>
Teacher consultant services:		
Salaries	15,431	25,959
Employee benefits	6,818	9,473
	<u>22,249</u>	<u>35,432</u>
Other pupil services:		
Salaries	63,938	63,632
Employee benefits	16,174	15,196
	<u>80,112</u>	<u>78,828</u>
Total pupil services	1,877,423	735,381
Instructional staff services:		
Improvement of instruction:		
Salaries	185,297	147,267
Employee benefits	50,940	52,954
Purchased services	29,294	2,171
Supplies	65,211	18,576
Capital outlay	1,195	-
Miscellaneous	25,851	25,122
	<u>357,788</u>	<u>246,090</u>
Educational media services:		
Salaries	68,286	123,167
Employee benefits	21,044	50,108
Purchased services	438	-
Supplies	15,261	20,462
Miscellaneous	-	45
	<u>105,029</u>	<u>193,782</u>
Technology assisted instruction:		
Salaries	38,101	35,991
Employee benefits	15,927	14,573
Purchased services	-	1,352
Supplies	-	1,643
	<u>54,028</u>	<u>53,559</u>
Supervision and direction of instruction:		
Salaries	203,670	204,875
Employee benefits	85,409	81,307
Purchased services	7,463	7,496
Supplies	2,428	2,215
Capital outlay	3,709	1,750
Miscellaneous	1,549	638
	<u>304,228</u>	<u>298,281</u>
Total instructional staff services	821,073	791,712

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
General administrative services:		
Board of education:		
Purchased services	\$ 68,172	\$ 72,736
Salaries	335	614
Miscellaneous	13,660	12,656
	<u>82,167</u>	<u>86,006</u>
Executive administration:		
Salaries	272,780	259,475
Employee benefits	102,249	94,159
Purchased services	26,051	15,257
Supplies	4,281	8,017
Capital outlay	1,539	618
Miscellaneous	9,677	33,906
	<u>416,577</u>	<u>411,432</u>
Total general administrative services	498,744	497,438
School administrative services:		
Office of the principal:		
Salaries	1,018,421	1,031,334
Employee benefits	460,830	430,647
Purchased services	28,042	29,812
Supplies	5,574	2,592
Miscellaneous	9,089	10,759
	<u>1,521,956</u>	<u>1,505,144</u>
Graduation:		
Miscellaneous	7,841	10,803
Total school administrative services	<u>1,529,797</u>	<u>1,515,947</u>
Business services:		
Fiscal services:		
Salaries	306,874	283,885
Employee benefits	144,860	129,812
Purchased services	4,114	4,533
Supplies	5,500	21,794
Miscellaneous	24,401	9,028
	<u>485,749</u>	<u>449,052</u>
Internal services:		
Salaries	21,035	20,446
Employee benefits	6,163	5,923
Purchased services	84,033	89,528
Supplies	3,400	1,466
	<u>114,631</u>	<u>117,363</u>
Other business services:		
Employee benefits	158,516	177,563
Purchased services	191,001	114,726
Miscellaneous	173,814	137,349
	<u>523,331</u>	<u>429,638</u>
Total business services	1,123,711	996,053

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Operation and maintenance services:		
Operation and maintenance:		
Salaries	\$ 877,832	\$ 894,193
Employee benefits	472,496	461,741
Purchased services	267,134	341,199
Supplies	843,300	866,541
Capital outlay	44,410	26,383
Miscellaneous	3,961	6,637
	<u>2,509,133</u>	<u>2,596,694</u>
Security services:		
Salaries	45,028	74,046
Employee benefits	16,376	16,203
Purchased services	61,048	910
Miscellaneous	908	-
	<u>123,360</u>	<u>91,159</u>
Total operation and maintenance services	2,632,493	2,687,853
Pupil transportation services:		
Pupil transportation:		
Salaries	349,937	347,414
Employee benefits	179,166	160,216
Purchased services	1,528	11,852
Supplies	142,140	139,028
Capital outlay	356,552	4,800
Miscellaneous	4,608	6,178
Payments to other districts	358,599	-
Total pupil transportation services	<u>1,392,530</u>	<u>669,488</u>
Central services:		
Planning and evaluation:		
Salaries	9,821	65,152
Employee benefits	2,393	15,376
Purchased services	36,866	38,683
Capital outlay	6,389	11,781
Miscellaneous	9,494	3,919
	<u>64,963</u>	<u>134,911</u>
Communication services:		
Salaries	3,185	2,980
Employee benefits	1,973	1,787
Purchased services	55,257	47,102
	<u>60,415</u>	<u>51,869</u>
Staff/professional services:		
Purchased services	5,042	2,592
Payments to other districts	25,034	-
	<u>30,076</u>	<u>2,592</u>
Technology services:		
Salaries	117,093	72,370
Employee benefits	65,468	40,704
Purchased services	143,035	102,978

(Continued)

NORTHVIEW PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Technology services: (Continued)		
Supplies	\$ 752	\$ 165
Capital outlay	188,913	385,704
	<u>515,261</u>	<u>601,921</u>
Pupil accounting services:		
Salaries	17,189	16,678
Employee benefits	5,559	5,676
	<u>22,748</u>	<u>22,354</u>
Total central services	693,463	813,647
Community services:		
Community recreation:		
Salaries	34,748	34,332
Employee benefits	6,946	7,865
Purchased services	2,036	13,423
Supplies	3,592	3,104
Miscellaneous	2,199	526
	<u>49,521</u>	<u>59,250</u>
Senior citizens services:		
Salaries	12,868	11,717
Employee benefits	3,212	2,778
Purchased services	4,247	-
Miscellaneous	102	-
	<u>20,429</u>	<u>14,495</u>
Performing arts center:		
Salaries	17,769	17,670
Employee benefits	9,342	8,273
Purchased services	892	-
Supplies	11,319	13,240
Miscellaneous	7,736	7,546
	<u>47,058</u>	<u>46,729</u>
Custody and care of children:		
Salaries	167,921	144,473
Employee benefits	64,408	55,414
Purchased services	679	198
Supplies	11,490	9,295
Capital outlay	575	2,818
Miscellaneous	2,227	2,151
	<u>247,300</u>	<u>214,349</u>
Total community services	364,308	334,823
Interdistrict:		
Special education - tuition	-	319,296
Special education - transportation	-	344,735
Special education - itinerant services	-	901,730
Other	46,506	-
Total interdistrict	<u>46,506</u>	<u>1,565,761</u>
Total Expenditures	<u><u>\$ 29,470,095</u></u>	<u><u>\$ 27,534,121</u></u>

NONMAJOR FUNDS

NORTHVIEW PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue	
	Food Service	Athletics
Assets		
Cash	\$ 407	\$ -
Cash equivalents, deposits and investments	187,169	409
Taxes receivable	-	-
Due from other funds	21,872	159,150
Due from other governmental units	7,285	-
Inventory	6,704	-
Total Assets	\$ 223,437	\$ 159,559
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,474	\$ 156
Due to other funds	2,862	84,684
Due to other governmental units	98	2,447
Salaries payable	1,277	9,990
Deferred revenue	-	-
Total Liabilities	6,711	97,277
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	216,726	62,282
Total Fund Balances	216,726	62,282
Total Liabilities and Fund Balances	\$ 223,437	\$ 159,559

Debt Service		Capital Projects	
1996	1998	Building and Site	Total
\$ -	\$ -	\$ -	\$ 407
1,812,841	1,390,507	156,058	3,546,984
13,108	13,450	5,005	31,563
36,883	32,302	16,964	267,171
-	-	-	7,285
-	-	-	6,704
<u>\$ 1,862,832</u>	<u>\$ 1,436,259</u>	<u>\$ 178,027</u>	<u>\$ 3,860,114</u>

\$ -	\$ -	\$ 93,050	\$ 95,680
-	-	-	87,546
-	-	-	2,545
-	-	-	11,267
13,108	13,450	5,005	31,563
<u>13,108</u>	<u>13,450</u>	<u>98,055</u>	<u>228,601</u>
1,849,724	1,422,809	-	3,272,533
-	-	79,972	79,972
-	-	-	279,008
<u>1,849,724</u>	<u>1,422,809</u>	<u>79,972</u>	<u>3,631,513</u>
<u>\$ 1,862,832</u>	<u>\$ 1,436,259</u>	<u>\$ 178,027</u>	<u>\$ 3,860,114</u>

NORTHVIEW PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue	
	Food Service	Athletics
Revenues		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	10,645	6,219
Sales and admissions	563,381	120,981
Total local sources	574,026	127,200
State sources	36,038	-
Federal sources	339,407	-
Total Revenues	949,471	127,200
Expenditures		
Current:		
Supporting services:		
Business services	-	-
Food service	936,511	-
Athletics	-	756,413
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Total Expenditures	936,511	756,413
Excess (Deficiency) of Revenues Over Expenditures	12,960	(629,213)
Other Financing Sources		
Transfers in	-	581,000
Net Change in Fund Balances	12,960	(48,213)
Fund Balances, July 1	203,766	110,495
Fund Balances, June 30	<u>\$ 216,726</u>	<u>\$ 62,282</u>

Debt Service		Capital Projects Building and Site	Total
1996	1998		
\$ 146,553	\$ 2,275,589	\$ 686,207	\$ 3,108,349
92,023	92,138	6,999	208,024
-	-	-	684,362
238,576	2,367,727	693,206	4,000,735
-	-	-	36,038
-	-	-	339,407
238,576	2,367,727	693,206	4,376,180
-	-	1,086	1,086
-	-	-	936,511
-	-	-	756,413
-	-	474,632	474,632
105,000	1,270,000	-	1,375,000
104,365	976,385	-	1,080,750
209,365	2,246,385	475,718	4,624,392
29,211	121,342	217,488	(248,212)
-	-	-	581,000
29,211	121,342	217,488	332,788
1,820,513	1,301,467	(137,516)	3,298,725
<u>\$ 1,849,724</u>	<u>\$ 1,422,809</u>	<u>\$ 79,972</u>	<u>\$ 3,631,513</u>

NORTHVIEW PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 556,400	\$ 574,026	\$ 17,626
State sources	41,467	36,038	(5,429)
Federal sources	300,000	339,407	39,407
Total Revenues	<u>897,867</u>	<u>949,471</u>	<u>51,604</u>
Expenditures			
Current:			
Food service	909,820	936,511	(26,691)
Net Change in Fund Balances	(11,953)	12,960	24,913
Fund Balances, July 1	<u>203,766</u>	<u>203,766</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 191,813</u></u>	<u><u>\$ 216,726</u></u>	<u><u>\$ 24,913</u></u>

NORTHVIEW PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance - Positive (Negative)
Revenues			
Local sources	\$ 100,985	\$ 127,200	\$ 26,215
Expenditures			
Current:			
Athletics	<u>748,803</u>	<u>756,413</u>	<u>(7,610)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(647,818)</u>	<u>(629,213)</u>	<u>18,605</u>
Other Financing Sources			
Transfers in	<u>604,349</u>	<u>581,000</u>	<u>(23,349)</u>
Net Change in Fund Balances	(43,469)	(48,213)	(4,744)
Fund Balances, July 1	<u>110,495</u>	<u>110,495</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 67,026</u></u>	<u><u>\$ 62,282</u></u>	<u><u>\$ (4,744)</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

NORTHVIEW PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 407	\$ 407
Cash equivalents, deposits and investments	187,169	178,206
Due from other funds	21,872	7,249
Due from other governmental units	7,285	7,543
Inventory	<u>6,704</u>	<u>17,198</u>
Total Assets	<u><u>\$ 223,437</u></u>	<u><u>\$ 210,603</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,474	\$ 4,523
Due to other funds	2,862	749
Due to other governmental units	98	101
Salaries payable	<u>1,277</u>	<u>1,464</u>
Total Liabilities	<u>6,711</u>	<u>6,837</u>
Fund Balances		
Unreserved:		
Undesignated	<u>216,726</u>	<u>203,766</u>
Total Liabilities and Fund Balances	<u><u>\$ 223,437</u></u>	<u><u>\$ 210,603</u></u>

NORTHVIEW PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 334,442	\$ 330,183
Children's breakfasts	15,463	16,319
Adult lunches and banquets	5,330	4,866
Ala carte	173,383	194,038
Other	34,763	25,742
	<u>563,381</u>	<u>571,148</u>
Interest earnings:		
Interest on deposits and investments	10,645	25,154
Total local sources	<u>574,026</u>	<u>596,302</u>
State sources	36,038	47,323
Federal sources	<u>339,407</u>	<u>316,192</u>
Total Revenues	<u>949,471</u>	<u>959,817</u>
Expenditures		
Current:		
Food service:		
Salaries	288,586	301,232
Employee benefits	115,627	112,770
Purchased services	9,211	9,162
Supplies	500,586	430,888
Capital outlay	7,570	19,039
Miscellaneous	14,931	5,489
	<u>936,511</u>	<u>878,580</u>
Total Expenditures	<u>936,511</u>	<u>878,580</u>
Net Change In Fund Balances	12,960	81,237
Fund Balances, July 1	<u>203,766</u>	<u>122,529</u>
Fund Balances, June 30	<u><u>\$ 216,726</u></u>	<u><u>\$ 203,766</u></u>

NORTHVIEW PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 409	\$ 152,348
Due from other funds	<u>159,150</u>	<u>2,171</u>
Total Assets	<u><u>\$ 159,559</u></u>	<u><u>\$ 154,519</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 156	\$ 228
Due to other funds	84,684	29,901
Due to other governmental units	2,447	997
Salaries payable	<u>9,990</u>	<u>12,898</u>
Total Liabilities	<u>97,277</u>	<u>44,024</u>
Fund Balances		
Unreserved:		
Undesignated	<u>62,282</u>	<u>110,495</u>
Total Liabilities and Fund Balances	<u><u>\$ 159,559</u></u>	<u><u>\$ 154,519</u></u>

NORTHVIEW PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 120,981	\$ 119,577
Interest earnings:		
Interest on deposits and investments	<u>6,219</u>	<u>8,293</u>
Total Revenues	<u>127,200</u>	<u>127,870</u>
Expenditures		
Current:		
Athletics:		
Salaries	480,187	470,108
Employee benefits	115,537	102,349
Purchased services	51,452	43,033
Supplies	2,382	2,892
Capital outlay	47,639	42,992
Miscellaneous	<u>59,216</u>	<u>40,490</u>
Total Expenditures	<u>756,413</u>	<u>701,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(629,213)</u>	<u>(573,994)</u>
Other Financing Sources		
Transfers in	<u>581,000</u>	<u>592,499</u>
Net Change In Fund Balances	(48,213)	18,505
Fund Balances, July 1	<u>110,495</u>	<u>91,990</u>
Fund Balances, June 30	<u><u>\$ 62,282</u></u>	<u><u>\$ 110,495</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

NORTHVIEW PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

	1996	1998	Totals	
			2007	2006
Assets				
Cash equivalents, deposits and investments	\$ 1,812,841	\$ 1,390,507	\$ 3,203,348	\$ 3,060,223
Taxes receivable	13,108	13,450	26,558	35,689
Due from other funds	36,883	32,302	69,185	61,757
Total Assets	<u><u>\$ 1,862,832</u></u>	<u><u>\$ 1,436,259</u></u>	<u><u>\$ 3,299,091</u></u>	<u><u>\$ 3,157,669</u></u>
Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 13,108</u>	<u>\$ 13,450</u>	<u>\$ 26,558</u>	<u>\$ 35,689</u>
Fund Balances				
Reserved for debt service	<u>1,849,724</u>	<u>1,422,809</u>	<u>3,272,533</u>	<u>3,121,980</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,862,832</u></u>	<u><u>\$ 1,436,259</u></u>	<u><u>\$ 3,299,091</u></u>	<u><u>\$ 3,157,669</u></u>

NORTHVIEW PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	1996	1998	Totals	
			2007	2006
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 141,476	\$ 2,263,610	\$ 2,405,086	\$ 3,722,731
Industrial facilities taxes	92	1,478	1,570	2,609
Delinquent property taxes	813	609	1,422	23,116
Other taxes	3,974	6,734	10,708	-
Interest on delinquent taxes	198	3,158	3,356	4,512
	<u>146,553</u>	<u>2,275,589</u>	<u>2,422,142</u>	<u>3,752,968</u>
Interest earnings:				
Interest on deposits and investments	92,023	92,138	184,161	121,735
State sources:				
State aid	-	-	-	51,379
	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,379</u>
Total Revenues	<u>238,576</u>	<u>2,367,727</u>	<u>2,606,303</u>	<u>3,926,082</u>
Expenditures				
Debt service:				
Principal repayment	105,000	1,270,000	1,375,000	1,385,414
Interest and fiscal charges:				
Interest expense	98,303	971,115	1,069,418	1,154,059
Paying agent fees	2,872	2,454	5,326	4,139
Tax refunds	3,190	2,816	6,006	676
	<u>3,190</u>	<u>2,816</u>	<u>6,006</u>	<u>676</u>
Total Expenditures	<u>209,365</u>	<u>2,246,385</u>	<u>2,455,750</u>	<u>2,544,288</u>
Net Change in Fund Balances	<u>29,211</u>	<u>121,342</u>	<u>150,553</u>	<u>1,381,794</u>
Fund Balances, July 1	<u>1,820,513</u>	<u>1,301,467</u>	<u>3,121,980</u>	<u>1,740,186</u>
Fund Balances, June 30	<u><u>\$ 1,849,724</u></u>	<u><u>\$ 1,422,809</u></u>	<u><u>\$ 3,272,533</u></u>	<u><u>\$ 3,121,980</u></u>

CAPITAL PROJECTS FUND

Building and Site—to account for property tax revenues and interest earnings used to finance building restoration projects.

NORTHVIEW PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 156,058	\$ 236,244
Taxes receivable	5,005	6,136
Due from other funds	<u>16,964</u>	<u>10,689</u>
Total Assets	<u><u>\$ 178,027</u></u>	<u><u>\$ 253,069</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 93,050	\$ 384,449
Deferred revenue	<u>5,005</u>	<u>6,136</u>
Total Liabilities	<u>98,055</u>	<u>390,585</u>
Fund Balances		
Reserved for capital outlay	<u>79,972</u>	<u>(137,516)</u>
Total Liabilities and Fund Balances	<u><u>\$ 178,027</u></u>	<u><u>\$ 253,069</u></u>

NORTHVIEW PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 682,252	\$ 642,008
Industrial facilities taxes	445	450
Delinquent property taxes	244	4,028
Other taxes	2,314	-
Interest on delinquent taxes	952	778
	<u>686,207</u>	<u>647,264</u>
Interest earnings:		
Interest on deposits and investments	6,999	8,268
	<u>693,206</u>	<u>655,532</u>
Total Revenues		
	<u>693,206</u>	<u>655,532</u>
Expenditures		
Business services:		
Tax refunds	1,086	720
Capital outlay:		
Building improvements	474,632	920,508
	<u>475,718</u>	<u>921,228</u>
Total Expenditures		
	<u>475,718</u>	<u>921,228</u>
Net Change In Fund Balances	217,488	(265,696)
Fund Balances, July 1	<u>(137,516)</u>	<u>128,180</u>
Fund Balances, June 30	<u><u>\$ 79,972</u></u>	<u><u>\$ (137,516)</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

NORTHVIEW PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 155,410	\$ 599,034	\$ 590,261	\$ 164,183
Due from other funds	<u>26,974</u>	<u>69,028</u>	<u>-</u>	<u>96,002</u>
Total Assets	<u><u>\$ 182,384</u></u>	<u><u>\$ 668,062</u></u>	<u><u>\$ 590,261</u></u>	<u><u>\$ 260,185</u></u>
Liabilities				
Accounts payable	\$ 275	\$ 550,926	\$ 550,627	\$ 574
Due to other funds	25,348	39,335	-	64,683
Due to student groups	<u>156,761</u>	<u>668,062</u>	<u>629,895</u>	<u>194,928</u>
Total Liabilities	<u><u>\$ 182,384</u></u>	<u><u>\$ 1,258,323</u></u>	<u><u>\$ 1,180,522</u></u>	<u><u>\$ 260,185</u></u>

OTHER INFORMATION

NORTHVIEW PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Kent County			
	Townships of			
	Ada	Grand Rapids	Plainfield	Total
Taxable Valuations				
Operating	\$ 1,267,987	\$11,792,523	\$167,252,239	\$180,312,749
Recreation/Debt Service/Building & Site	10,595,701	58,081,528	498,155,211	566,832,440
Rates (Mills)				
General Fund				18.0000
Recreation				0.7500
1996 Debt Service Fund				0.2500
1998 Debt Service Fund				4.0000
Building and Site Fund				1.2056
				<u>24.2056</u>
Taxes Levied 2006 Rolls				
General Fund	\$ 22,823	\$ 212,265	\$ 3,010,534	\$ 3,245,622
Recreation	7,947	43,555	373,616	425,118
1996 Debt Service Fund	2,649	14,520	124,536	141,705
1998 Debt Service Fund	42,382	232,321	1,992,579	2,267,282
Building and Site Fund	12,774	70,022	600,563	683,359
	<u>88,575</u>	<u>572,683</u>	<u>6,101,828</u>	<u>6,763,086</u>
Taxes Uncollected 2006 Rolls				
General Fund	-	974	15,553	16,527
Recreation	-	41	648	689
1996 Debt Service Fund	-	14	215	229
1998 Debt Service Fund	-	216	3,456	3,672
Building and Site Fund	-	65	1,042	1,107
	<u>-</u>	<u>1,310</u>	<u>20,914</u>	<u>22,224</u>
Taxes Collected 2006 Rolls				
General Fund	22,823	211,291	2,994,981	3,229,095
Recreation	7,947	43,514	372,968	424,429
1996 Debt Service Fund	2,649	14,506	124,321	141,476
1998 Debt Service Fund	42,382	232,105	1,989,123	2,263,610
Building and Site Fund	12,774	69,957	599,521	682,252
	<u>88,575</u>	<u>571,373</u>	<u>6,080,914</u>	<u>6,740,862</u>
Delinquent Taxes Collected				
General Fund	-	26	3,756	3,782
1996 Debt Service Fund	-	6	807	813
1998 Debt Service Fund	-	4	605	609
Building and Site Fund	-	1	243	244
	<u>-</u>	<u>37</u>	<u>5,411</u>	<u>5,448</u>
Total Taxes Collected				
General Fund	22,823	211,317	2,998,737	3,232,877
Recreation	7,947	43,514	372,968	424,429
1996 Debt Service Fund	2,649	14,512	125,128	142,289
1998 Debt Service Fund	42,382	232,109	1,989,728	2,264,219
Building and Site Fund	12,774	69,958	599,764	682,496
	<u>\$ 88,575</u>	<u>\$ 571,410</u>	<u>\$ 6,086,325</u>	<u>\$ 6,746,310</u>

(Continued)

NORTHVIEW PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Kent County			
	Townships of			
	Ada	Grand Rapids	Plainfield	Total
Taxes Uncollected - June 30, 2007				
General Fund - Operating:				
2006	\$ -	\$ 1,015	\$ 16,201	\$ 17,216
2005	-	731	63,575	64,306
2004	-	340	548	888
	-	2,086	80,324	82,410
1996 Debt Service Fund:				
2006	-	14	215	229
2005	-	156	12,473	12,629
2004	-	105	139	244
	-	275	12,827	13,102
1998 Debt Service Fund:				
2006	-	216	3,456	3,672
2005	-	117	9,354	9,471
2004	-	99	214	313
	-	432	13,024	13,456
Building & Site Fund:				
2006	-	65	1,042	1,107
2005	-	48	3,765	3,813
2004	-	35	50	85
	-	148	4,857	5,005
Total Taxes Uncollected	\$ -	\$ 2,941	\$ 111,032	\$ 113,973

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

November 5, 2007

The Board of Education
Northview Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Northview Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements with Management.
7. Consultation with Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Northview Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Northview Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Northview Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Northview Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Northview Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Northview Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northview Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing the Audit

We were required to spend significant additional audit field work time (including significant audit field work account analysis and adjusting journal entries) due to deficiencies in the District's monitoring systems in the areas of General Fund revenues, interest expense and in the year-end amounts due from and to other school districts for those services performed in the 2006-07 fiscal year, but not billed and/or paid subsequent to June 30, 2007.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$13,423 to record 2006 delinquent personal property taxes receivable and \$31,961 to write off 2003 delinquent personal property taxes uncollected at June 30, 2007.
2. \$21,315 to correct the fund and account classification of property taxes collected during the 2006-07 fiscal year.
3. \$512,107 to record prepaid expenditures and state aid revenue to account for the Michigan Department of Education's offset of retirement expense and State Aid in June, 2007.
4. \$201,883 to record amounts due to other school districts at June 30, 2007 for services provided in the 2006-07 year, but not billed until July and/or August, 2007.
5. \$98,279 to record accounts receivable for grants and reimbursements at June 30, 2007.
6. \$100,800 and \$95,277 to reverse and accrue accrued interest payable on the State Aid Loan.

Adjustments 1 and 2 above had corresponding balancing entries in the Debt Service and Building and Site Funds of the District.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Northview Public Schools.

Suggestions and Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Northview Public Schools to the Director of Finance and Operations and District accounting and payroll personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting. Other suggestions that merit discussion in this letter are as follows:

All balance sheet accounts (for all funds) should be reconciled by District accounting personnel, and reviewed by the Director of Finance, on a monthly basis in a timely manner. Reviewing revenues and expenditures compared to the budget is not enough to insure that all transactions are being recorded, and that they are being recorded properly. The computer payroll and accounting system of the District utilizes balance sheet accounts for each transaction that occurs, so it is imperative that these accounts be continually monitored and reconciled. In addition, all revenue accounts for the General Fund should be regularly reviewed to insure the proper account classification for all revenues received.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in and Audit*", which requires a written communication from an auditor to an organization's governing board if any weaknesses in internal controls ("control deficiencies") rise to the level of "significant deficiencies" or "material weaknesses" that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. We did observe certain control deficiencies in areas of the District's internal control during the course of our audit that we determined to be significant deficiencies or material weaknesses, which have been detailed in a separate letter to the Board of Education. The following recommendations relate to our internal control findings:

- The District should establish review functions within the business office (bank reconciliations, payroll operations, purchase order/invoice approval, financial statements, etc.) and outside of the business office (athletics, food service, student activities, child care activities) in order to overcome the control deficiency of a *lack of monitoring* of control activities that currently exists.
- The District should establish, and *document* a uniform set of accounting policies and procedures that are designed to be applied consistently throughout the District; this will increase the efficiency and accountability of the accounting and record keeping process and strengthen in internal control system of the District.
- We encourage the District to support the Finance Director, and other business office personnel in *furthering their education in the area of governmental accounting and financial statement preparation* requirements to achieve and maintain compliance with current GAAP and GASB standards. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Northview Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District increased by \$540,138 to \$4,874,379 at June 30, 2007. This balance represents approximately 15.8 percent of the District's 2007-08 expenditure budget (up from 14.9 percent at June 30, 2006). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Northview Public Schools. This gives the District more stable operating funds during the year; helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

This communication is intended solely for the information and use of the Northview Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Northview Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

November 5, 2007

The Board of Education
Northview Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Northview Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements, the person responsible for the accounting and reporting function lacks the level of skills and knowledge necessary to apply GAAP and GASB standards in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Northview Public Schools is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Northview Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Northview Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of

the organization's internal control. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

- Inadequate *documentation* of the District's internal control system.
- A *lack of independent monitoring* of certain accounting functions in the District business office (payroll operations, balance sheet accounts) and of financial transactions occurring outside the business office (child care, athletics, food service, student activities).
- District personnel who *lack the knowledge and training* to fulfill certain required functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) requirements in recording the District's financial transactions or preparing its financial statements (including the notes to basic financial statements) in compliance with current GAAP and GASB requirements.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Treasury. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants